

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE**

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In re:

HIGHPOINT RESOURCES CORP., *et al.*,<sup>1</sup>

Debtors.

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Chapter 11

Case No. 21-10565 (CSS)

(Joint Administration Requested)

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**DECLARATION OF JEFFREY KNUPP IN SUPPORT  
OF CONFIRMATION OF THE DEBTORS' JOINT PREPACKAGED PLAN OF  
REORGANIZATION PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE**

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I, Jeffrey Knupp, hereby declare under penalty of perjury as follows:

**Background and Qualifications**

1. I am a Managing Director at Tudor Pickering Holt & Co Advisors LP and its affiliates, including Perella Weinberg Partners (collectively, "TPH-PWP"), a leading investment banking and financial advisory firm.

2. I have more than thirteen years of investment banking experience with a focus on advising upstream clients in the energy sector. I have been involved in over fifty transactions, representing more than \$50 billion in value. I previously served as a petroleum engineer consultant at Netherland, Sewell & Associates, an exploitation engineer at Merit Energy Company, and began my career at ExxonMobil Development Company as a reservoir engineer. I hold a BS in Chemical Engineering from Pennsylvania State University and a Master of Business Administration from the University of Texas at Austin, McCombs School of Business.

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<sup>1</sup> The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are: HighPoint Resources Corporation (0361); HighPoint Operating Corporation (0545); and Fifth Pocket Production, LLC (8360). The location of the Debtors' principal place of business is 555 17th Street, Suite 3700 Denver, Colorado 80202.

3. I submit this declaration in support of the *Debtors' Joint Prepackaged Plan of Reorganization Pursuant to Chapter 11 of the Bankruptcy Code*, filed contemporaneously herewith, (as modified, amended, or supplemented from time to time in accordance with its terms, the "Plan").<sup>2</sup> I have been retained by the Debtors in this matter to, among other investment banking services, provide an expert opinion on matters related to the valuation of the combined Reorganized Debtors and Bonanza Creek Energy Inc. ("BCEI") after giving effect for the Merger (together, the "Combined Company").

4. Since April 2020, TPH-PWP has been one of the principal advisors to the Debtors.<sup>3</sup> Members of my team and I have been directly involved in the matters leading up to the Debtors' chapter 11 filings, which includes the Merger Agreement, TSA, and Plan negotiation process and developing and implementing the restructuring transactions contemplated thereunder.

5. Beginning in July 2020, the Debtors, with the assistance of TPH-PWP and its other advisors, commenced an initial outreach to thirteen (13) potential counterparties, including BCEI, regarding a potential strategic transaction. Throughout July and August 2020, the Debtors provided additional information, including data room access and management presentations, and executed NDAs with eleven (11) parties (including BCEI). The Debtors received five (5) preliminary indications of interest regarding potential strategic transactions,<sup>4</sup> including from BCEI. The debtors engaged in multiple rounds of bidding with three (3) parties (including BCEI). In parallel, the Debtors' management and its advisors continued to engage with Franklin, and Akin Gump, acting as legal counsel for Franklin, to explore a potential transaction and potential

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<sup>2</sup> Capitalized terms used but not otherwise defined herein have the meanings ascribed to them in the Plan.

<sup>3</sup> The Debtors executed an engagement letter with TPH-PWP on April 14, 2020.

<sup>4</sup> In addition, the Debtors received three (3) indications of interest regarding potential financing transactions.

equitization of the Notes in connection with a business combination. On November 9, 2020, after extensive negotiations around the terms of the Merger Agreement, the TSA, the Stockholder Support Agreement and the Plan, the Merger Agreement, the TSA, and the Stockholder Support Agreement were executed by the applicable parties thereto.

6. At the direction of the Debtors, TPH-PWP prepared the valuation analysis (the “Valuation Analysis”) included as Exhibit E to the *Disclosure Statement Relating to the Debtors’ Joint Prepackaged Plan of Reorganization Pursuant to Chapter 11 of the Bankruptcy Code*, filed contemporaneously herewith (the “Disclosure Statement”).

7. The statements in this Declaration are, except where specifically noted or otherwise stated herein, based on my personal knowledge or opinion, on information that I have received from the Debtors’ employees or advisors, BCEI’s employees or advisors, or employees of TPH-PWP working directly with me or under my supervision, direction, or control, or from the Debtors’ books and records maintained in the ordinary course of their businesses. If I were called upon to testify, I could and would competently testify to the facts set forth herein on that basis. I am authorized to submit this Declaration on behalf of the Debtors.

8. Neither TPH-PWP nor I are being specifically compensated for this testimony, and TPH-PWP is receiving compensation only as part of its engagement letter with the Debtors, subject to approval by this Court.

### **Valuation Analysis**

9. In my expert opinion, and as described more fully in the Disclosure Statement, the estimated total enterprise value (the “Total Enterprise Value”) of the Combined Company, as of an assumed effective date of April 1, 2020 (the “Valuation Date”), would be in a range between approximately \$900 million and \$1,200 million, with a midpoint of \$1,050 million. Based on the estimated Total Enterprise Value and the assumed pro forma net debt of \$220 million as of the Valuation Date, the implied equity value (the “Equity Value”) for the Combined Company, as of the Valuation Date, is between approximately \$680 million and \$980 million, with a midpoint estimate of \$830 million.

10. The estimated range of the Total Enterprise Value represents a valuation of the Combined Company based on the application of standard valuation techniques, including (i) risked net asset value (“Riskd NAV”) analysis, (ii) discounted cash flow (“DCF”) analysis, (iii) public comparable company (“Comparable Company”) analysis, and (iv) precedent transactions (“Precedent Transaction”) analysis.<sup>5</sup>

11. TPH-PWP estimated the value of the Combined Company’s Total Enterprise Value through pre-tax and post-tax Risked NAV analyses. Risked NAV analysis calculates the value of the business by calculating the sum of the present value of future cash flows generated by the Combined Company’s oil and gas reserves. For the pre-tax Risked NAV, various risk-adjusted discount rates are applied to future cash flows from the Combined Company’s reserve report, determined by reserve category. For the post-tax Risked NAV, various risk adjustment factors are

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<sup>5</sup> In preparing the Valuation Analysis, TPH-PWP reviewed a variety of potential analytical techniques and analyses, including those described herein. The summary of TPH-PWP’s analysis herein is not a complete description of the analyses underlying TPH-PWP’s views. Each analytic technique has inherent strengths and weaknesses, and the nature of the available information may further impact the output of particular techniques.

applied to the present value using the company's estimated weighted average cost of capital (the "Discount Rate") of future cash flows from the Combined Company's reserve report, determined by reserve category. The risk adjustment factors and risk-adjusted discount rates utilized are based on oil and gas exploration and production industry standard guidance from The Society of Petroleum Evaluation Engineers, 39th Annual Survey of Parameters Used in Property Evaluation dated June 2020. The Total Enterprise Value of the Combined Company was then calculated by adjusting the aggregate risk-adjusted cash flows for (i) the present value of future corporate costs and other expenditures, including general and administrative costs and, (ii) in the case of the post-tax Risked NAV, the present value of future taxes.

12. TPH-PWP also estimated the Total Enterprise Value of the Combined Company by performing a DCF analysis of the Financial Projections included as Exhibit D to the Disclosure Statement. Under this methodology, projected future cash flows were discounted by a range of discount rates above and below the Debtors' estimated weighted average cost of capital. The Total Enterprise Value of the Combined Company was determined by calculating the present value of (i) the Combined Company's unlevered after-tax free cash flows during the course of the explicit projection period and (ii) an estimate for the terminal/continuing value of the Combined Company beyond the explicit projection period.

13. TPH-PWP further estimated the value of the Combined Company's Total Enterprise Value through Comparable Company analysis. This methodology estimates the value of a company based on a relative comparison with other publicly traded companies with similar geographic location, scale, reserve composition, operating and financial characteristics, and/or other characteristics deemed relevant. The enterprise value for each selected public company is determined by examining the trading prices for the equity securities of such company in the public

markets and adding the outstanding net debt for such company. From such enterprise values, various measures of operating and financial metrics such as net production, proved reserves, and EBITDAX can be calculated. TPH-PWP observed enterprise value as a multiple of each selected company's publicly available consensus projected (i) 2021 and 2022 EBITDAX and (ii) 2021 and 2022 net production. The Total Enterprise Value of the Combined Company was calculated by applying a range of enterprise value, EBITDAX multiples and enterprise value, and net production multiples to the Combined Company's Financial Projections.

14. TPH-PWP also estimated the value of the Combined Company's Total Enterprise Value through Precedent Transactions Analysis. This methodology estimates the value of a company by examining public and private mergers and acquisitions transactions on an enterprise and asset-level basis. The selection of precedent transactions for this purpose was based on the geographic location, scale and/or other characteristics deemed relevant to the Combined Company, and included both enterprise and asset-level transactions. From the transaction values associated with the precedent transactions, various measures of operating and financial metrics such as production, proved reserves, and EBITDAX can be calculated. TPH-PWP observed the transaction value as a multiple of each selected transaction's publicly available projected forward year 1 and forward year 2 EBITDAX (for such transactions where EBITDAX estimates are available). The Total Enterprise Value of the Combined Company was calculated by applying a range of transaction value and EBITDAX multiples to the Combined Company's Financial Projections.

15. The underlying information I reviewed in preparing the Valuation Analysis was either publicly available or provided by the Debtors, BCEI, the Debtors' other retained professionals or BCEI's retained professionals. As part of this process, I relied on Financial

Projections for the Combined Company prepared by the Debtors' management and advisors for the projection period.

16. In estimating the Total Enterprise Value of the Debtors, I consulted with the Debtors' and BCEI's senior management team and other advisors regarding the Debtors' and BCEI's assets, operations, and future prospects; reviewed the Debtors' and BCEI's historical financial information; reviewed certain of the Debtors' and BCEI's internal financial and operating data; reviewed the Financial Projections for the Combined Company provided in Exhibit D to the Disclosure Statement; reviewed publicly available third-party information; considered certain economic and industry information relevant to the Debtors and BCEI; and conducted such other studies, analyses, inquiries, and investigations as deemed appropriate. In preparing the Valuation Analysis, I relied upon the accuracy, completeness, and fairness of financial and other information furnished by the Debtors and BCEI. I did not attempt to independently audit or verify such information, nor did I perform an independent appraisal of the assets or liabilities of the Combined Company. In connection with my work providing investment banking and valuation services to companies, I frequently rely on projections and financial data provided by and prepared by other entities, and it is common for experts in my field to rely on such projections and data.

17. My team and I considered the changes in commodity pricing from November 9, 2020, to March 12, 2021, in relation to the projected recoveries for Holders of Allowed Notes Claims and Holders of Allowed Existing HPR Interests (together, the "Voting Classes") under the Plan and the implied equity value of the Debtors on a stand-alone basis. I do not believe there is a consequential impact to any recoveries under the Plan as a result of such changes in commodity pricing. On the contrary, any impact with respect to projected recoveries for the Voting Classes under the Plan would be positive, but in no way would alter the section 1129 conclusions. In fact,

Holders of Allowed Existing HPR Interests are projected to benefit from the commodity pricing changes at a rate that is even better than Holders of Allowed Notes Claims. Further, as it relates to the implied equity value of the Debtors on a stand-alone basis, I do not believe there is a consequential impact as a result of such changes in commodity pricing. This is because the implied enterprise value of the Debtors on a stand-alone basis does not exceed the total amount of funded debt even when taking into account the fluctuations in the commodities.

*[Remainder of page intentionally left blank.]*



Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge and belief.

Dated: March 14, 2021

By: /s/ Jeffrey Knupp

Jeffrey Knupp

Managing Director

TUDOR, PICKERING, HOLT & CO.

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